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SUDBURY CONTACT MINES, LIMITED



ANNUAL REPORT 1980



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SUDBURY CONTACT MINES, LIMITED

Executive and Head Office	Suite 300, 365 Bay Street Toronto, Ontario, Canada M5H 2V1
Directors	E. L. BAXTER PHIL DRUTZ MILTON KLYMAN JOHN MURRAY PAUL PENNA ERNEST SHERIFF
Officers	PAUL PENNA, <i>President</i> MIKEY DRUTZ, <i>Secretary-Treasurer</i> BARRY LANDEN, <i>Financial Comptroller</i>
Consulting Geologist	W. A. HUBACHECK, B.Sc., P.Eng.
Transfer Agent and Registrar	Guaranty Trust Company of Canada Toronto, Ontario
Auditors	Starkman, Kraft, Rothman, Berger & Grill Chartered Accountants Toronto, Ontario
Solicitors	Shibley, Righton & McCutcheon Toronto, Ontario
Shares Listed	Toronto Stock Exchange Toronto, Ontario
Annual Meeting	June 26, 1981, 11:00 a.m. (Toronto Time) Library Room, Main Mezzanine Royal York Hotel 100 Front Street West Toronto, Canada

SUDBURY CONTACT MINES, LIMITED

ANNUAL REPORT

Directors' Report to Shareholders

The Directors are pleased to present the 1980 Annual Report of the Corporation which includes the audited financial statements for the year ended December 31, 1980 and the unaudited financial statements for the 1981 first quarterly period ended March 31, 1981.

The following is a general review of the main mineral resource property interests held by the Corporation, together with a summary of the significant exploration activities during the period under review.

As previously reported, your Corporation, on April 18, 1980, finalized arrangements for the sale of treasury shares on a private placement basis, for an aggregate amount of \$1,120,000 to associated Mentor Exploration and Development Co., Limited, which purchased these shares for investment. Mentor now holds 2,385,582 shares or in excess of 31% of the total issued shares of the Corporation.

The proceeds from this transaction was the main contributing factor to the improvement in working capital which at year end 1980 amounted to \$656,505 as compared with \$10,140 at the previous year end. This was after expenditures for exploration of the Kirkland-Larder Lake gold properties during the year totalling \$130,224 and the investment of \$318,295 in the Serem Joint Venture in 1980.

During the first quarter of 1981, your Corporation's ongoing exploration expenditures amounted

to \$32,393 plus a further investment in the Serem Joint Venture of \$21,655. Working capital at March 31, 1981 of \$604,121 reflects these principal disbursements during the quarterly period.

Investments with respect to your Corporation's 25% interest in the Serem Joint Venture to March 31, 1981 now total \$339,950 and the recent approval of a \$2.2 million budget for the 1981 field season will increase its commitment to this project to nearly \$900,000 or more in 1981.

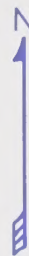
As a result of its 1980 expenditure, which fulfills the requirements of the agreement, the working option in respect of the 51 claims in the Kirkland-Larder Lake gold properties has been extended to July 17, 1983. If production is achieved, the claims will be transferred to Sudbury Contact, subject to a 15% royalty payable to the optionor.

SEREM JOINT VENTURE

Considerable detail of the background to the Serem Joint Venture was set out in our 1979 Annual Report, noting the acquisition consequent to the April, 1980 financing, of a 25% participation in the joint venture undertaking with Serem Limited (a wholly owned subsidiary of Serem S.A. of France), which is the manager/operator of the project, holding a 50% interest, and associated Agnico-Eagle Mines Limited, holding the other 25% interest.

While the Serem Joint Venture activities commenced in 1979, your Corporation was able to

0 1 2 3 4 KM



BREEZE

LAW 3

NEW LAWYERS 1

NEW
LAWYERS
4

NEW
LAWYERS
3

NEW
LAWYERS
2

AREA COVERED BY
OPTION AGREEMENT

LAW 1

ATTORNEY
2

LAW 2

PERRY 1

MASON 1

PERRY 2

MASON 2

SEREM LTD.

TOODOGGONE
PROJECT
OPTION AREA

NTS: 94E/6

Scale: 1:50,000

LEGEND

 KENNCO

 SEREM

 AREA OF BAKER MINE
(DU PONT OF CANADA
EXPLORATION LTD.)

carry its interest back to that period by a contribution of \$51,000 for its portion of the 1979 program expenditures.

During the 1980 field season, diamond drilling totalling 9,500 feet in 18 holes, was completed on the "Amethyst Gold Breccia Zone" (AGB Zone) of the Lawyers Property. The drilling tested two tiers or horizons approximately 100 feet and 200 feet, respectively, from surface, obtaining a considerable number of ore grade intersections of gold and silver values, some over very impressive core lengths, including the following:

Hole No.	Interval — From	Feet to	Core Length (feet)	Silver Oz/Ton	Gold Oz/Ton
80-4	104.9	167.4	62.5	2.06	0.083
Incl.	(136.6	167.4	32.8	2.75	0.118)
	295.4	331.4	36.0	1.41	0.048
Incl.	(311.7	328.1	16.4	1.79	0.088)
80-5	301.9	311.7	9.8	3.60	0.002
	328.1	462.6	134.5	1.64	0.043
Incl.	(413.4	462.6	49.2	1.99	0.064)
80-6	269.1	387.2	118.0	1.80	0.067
Incl.	(269.1	311.7	42.6	2.04	0.074)
and	(341.2	364.2	23.0	2.52	0.129)
and	(364.2	387.2	23.0	0.82	0.041)
80-7	301.9	337.9	36.0	2.20	0.171
	367.5	389.0	29.5	0.98	0.044
	433.1	452.8	19.7	3.10	0.010
80-10	315.0	338.0	23.0	0.97	0.011
	479.0	485.6	6.6	2.74	0.039
80-12	160.7	200.1	39.4	1.23	0.085
	226.5	321.5	95.0	0.43	0.004
*80-13	232.9	252.6	19.7	49.74	3.800
	298.6	347.8	49.2	1.10	0.016
80-14	55.8	72.2	16.4	5.63	0.092
Incl.	(62.3	65.6	3.3	24.70	0.436)
	127.9	150.9	23.9	1.70	0.018
	213.3	262.5	49.2	1.08	0.007
80-15	190.2	203.4	13.2	1.25	0.010
80-16	298.5	318.2	19.7	1.93	0.048
	331.3	334.6	3.3	2.43	0.094
	351.0	387.1	36.1	2.97	0.068
80-17	52.5	62.3	9.8	3.39	0.051
	193.5	259.1	65.6	1.84	0.021
	331.3	347.7	16.4	1.70	0.015
	354.2	360.8	6.6	5.61	0.091
*80-18	413.2	478.9	65.7	4.93	0.076
Incl.	(419.8	423.1	3.3	10.85	0.159)
and	(452.6	478.9	26.3	8.74	0.128)
80-19	114.8	132.2	16.4	0.48	0.040

Note: Holes 80-13 and 80-18 were particularly high grade with wide intersections, located on sections 150N and 60N, respectively.

This drilling and earlier work carried out by Kennco on the AGB Zone, has indicated a widespread area of gold/silver mineralization over a NE by SW length in excess of 2,000 feet, a width of up to 250 feet, and to tested depths exceeding 200 feet from surface. In addition to this drilling on the AGB Zone of the Lawyers Property, silt and soil sampling was carried out in the area of the Toodoggone Project, indicating highly anomalous values in gold, silver and base metals. The results of this 1980 work led to the staking of a further 94 units (4,600 acres) to cover these anomalous areas.

Properties Now Constituting the Serem J.V.

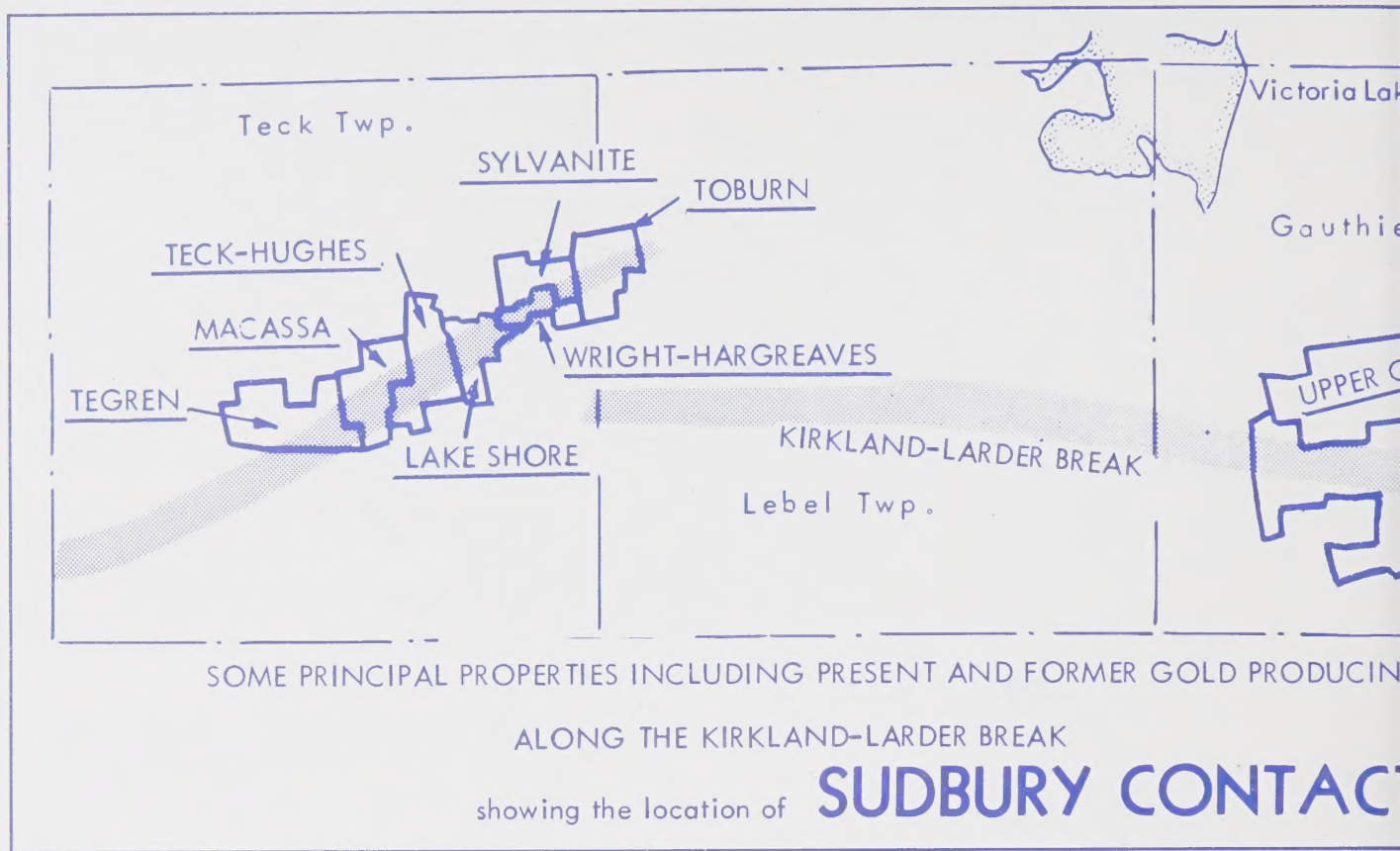
The AGB Zone and surrounding ground known as the Lawyers Property, was staked in 1970-71 by Kennco Explorations (Western) Limited. Subsequently, the AGB Zone was sampled by trenches and limited drilling in programs carried out in 1974 and 1975.

In May, 1978, the Lawyers Property was optioned to Semco from whom Serem Limited obtained an assignment agreement the following year and Serem subsequently assigned 50% of its interest equally to Sudbury Contact and Agnico-Eagle.

The working option from Kennco remains in force until December, 1982 upon the expenditure by the Serem Joint Venture of not less than \$170,000. If such expenditures during the period aggregate not less than \$250,000, then the Serem Joint Venture will have earned a 51% undivided interest (Sudbury Contact and Agnico-Eagle each having 25% of 51%, or 12.75% of the total) thereby constituting a joint venture between the Serem Joint Venture partners and Kennco on a 51%-49% basis, known as the 'Kennco Joint Venture'.

The agreement further provides for optional additional expenditures on the Lawyers Property by the Serem Joint Venture, or its bringing of the property into production, whereby the Serem Joint Venture partners can earn up to a maximum of an 80% interest in the Lawyers Property, Kennco retaining a net carried interest of 20%.

The properties designated the 'Toodoggone Project' were staked on behalf of the Serem J.V. and totalled at the time of the 1979 staking some 214 units (10,500 acres) in nine groups, including certain areas that were staked adjoining the original Kennco properties for protection along strike. Those areas directly adjacent were within the one



mile perimeter clause and therefore became part of the Kennco J.V.

The remaining 176 units (8,625 acres), designated the Toodoggone Project, were outside the agreement with Kennco and therefore become subject to the 50%-25%-25% terms of the agreement between the Serem J.V.

For greater clarification, the Lawyers Property now comprises 153 units (7,500 acres) and the Toodoggone Project, 814 units (40,000 acres). In addition, the staking subsequent to 1979 covered a further 94 units (4,600 acres), as a consequence of the 1980 program, thereby bringing the total units of the Toodoggone Project to the foregoing 814 units.

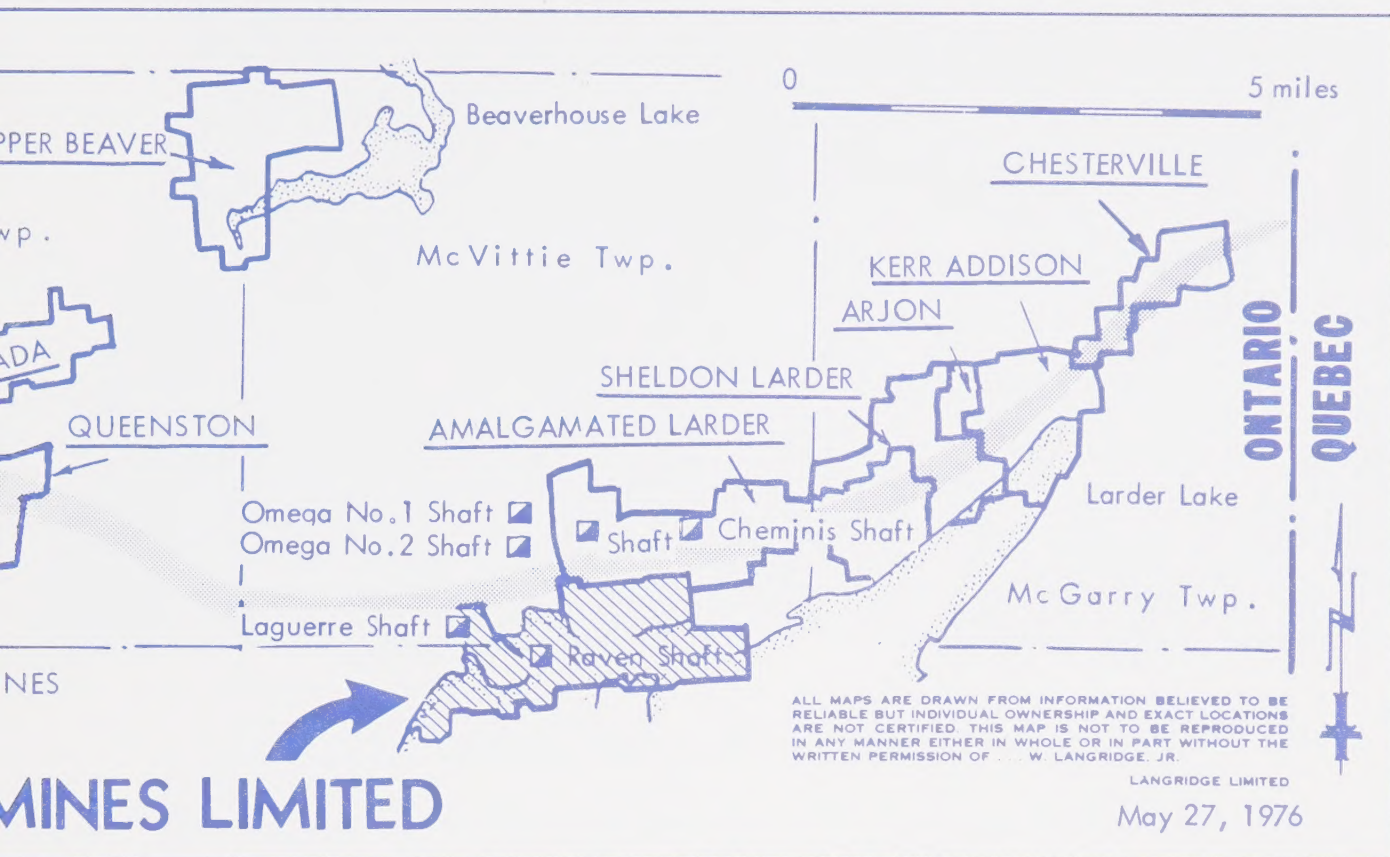
Planned 1981 Program

A \$2.2 million exploration program was recently approved by the joint venture partners for the Lawyers Property in the 1981 field season. (This con-

tracts with the 1980 program carried out at a cost of some \$1 million). Equipment and supplies have been mobilized and some already flown to the airstrip servicing the area.

The 1981 program is to be carried out in two stages. The first will involve approximately 10,000 feet of diamond drilling, initially on a tier of holes to test horizons below those probed in earlier drilling, followed by drilling to test the AGB Zone along strike to the north. This phase is budgeted at \$900,000 and, predicated on favourable results of this deeper drilling, will enable the implementation of the second stage which is budgeted at \$1.3 million.

The first stage drilling commenced in May and is expected to be completed during June. The second stage will include an adit to be driven into the side of the mountain for a planned advance of 600 feet and will include an additional 10,000 feet of drilling. Road construction to the adit site and moving



the camp into the valley, has been tentatively scheduled during July and August.

A \$300,000 budget was also approved for the Toodogone Project properties and will involve exploration in the general area of favourable volcanic rocks. The Toodogone Project includes holdings about a mile and a quarter west from the holdings of Dupont of Canada Exploration Limited, encompassing the latter's Baker Mine which is scheduled to commence production early in 1981. The \$12 million Baker Mine project will provide facilities to extract and treat some 100,000 tons of ore grading about 0.9 ounce of gold and 19.0 ounces of silver per ton.

The presence of gold and silver values on the Lawyers, Chapelle (Baker Mine) and other properties in the area, indicates a potential precious metal district with mineral occurrences generally related to Jurassic volcanics. Your Corporation views this project as one having very considerable potential

for the delineation of a valuable gold/silver deposit.

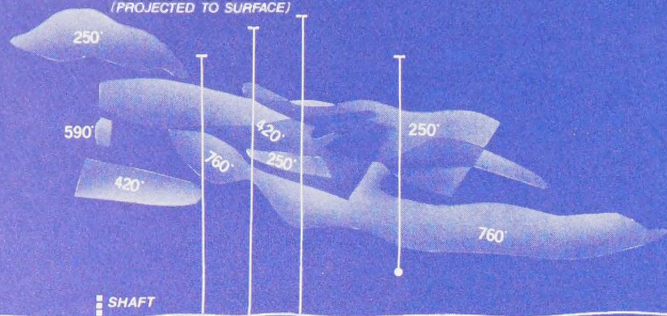
KIRKLAND-LARDER LAKE GOLD PROPERTIES

Your Corporation's holding of 51 claims (in excess of 2,000 acres) is strategically located just to the south of the Kirkland-Larder Lake Break, which is the principal geological feature of this area and associated with numerous producing and former producing gold mines in the Kirkland and Larder Lake District. This group of claims forms a contiguous block about four miles in length and close to one mile in width. It encompasses several known gold occurrences, two of which, the Laguerre and Raven River, are developed by shafts and underground workings.

Since acquiring the option in 1973, the Corporation has conducted three exploration programs, including both surface and underground drilling.

SURFACE PLAN

GOLD BEARING ZONES (PROJECTED TO SURFACE)



TRENCHES

VEIN No. 2

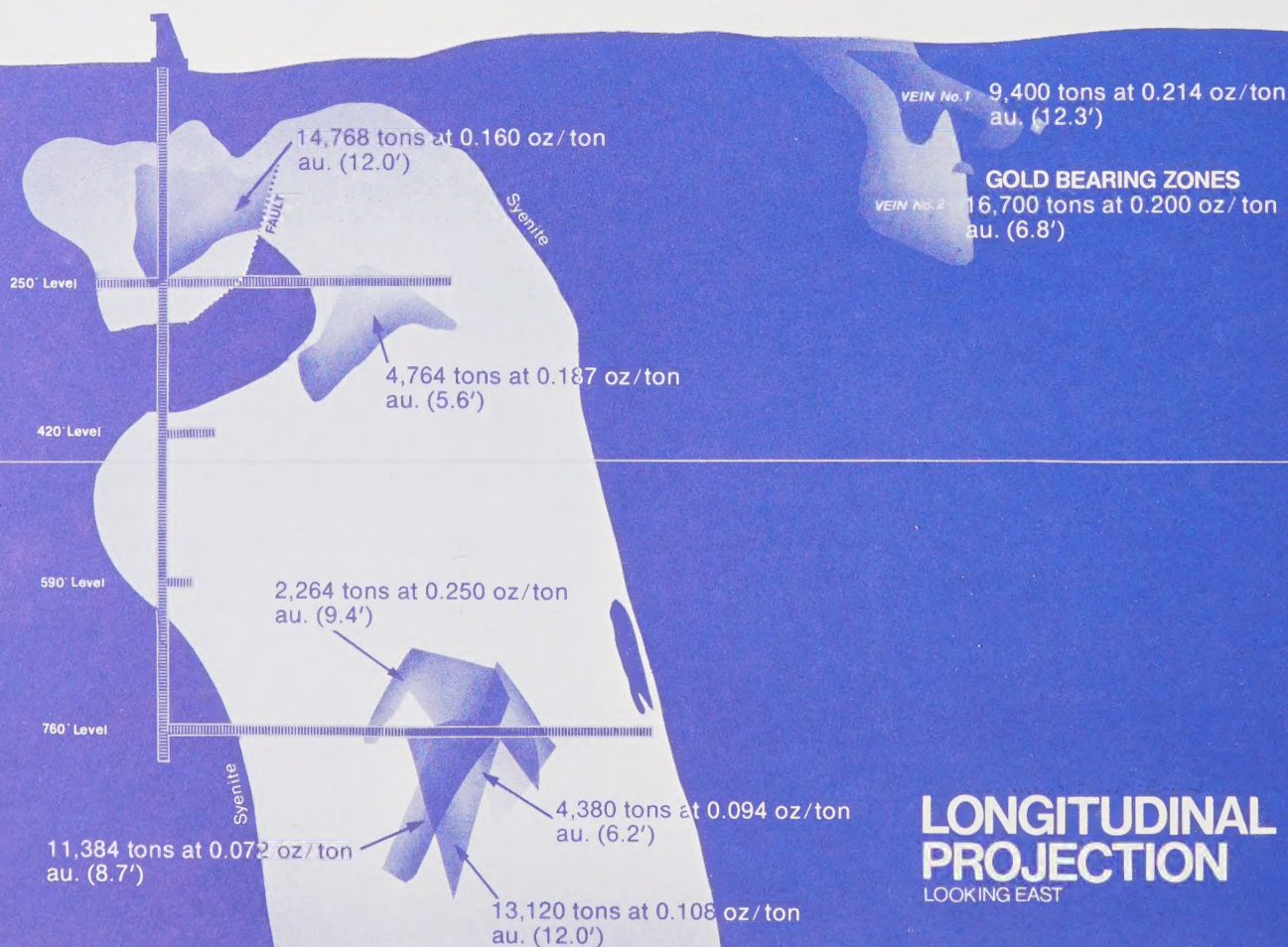
VEIN No. 1

TRENCHES

SUDBURY CONTACT MINES LTD.

KNUTSON DISCOVERY AREA, LARDER LAKE ONTARIO

0 100 200 300 400
FEET



VEIN No. 1 9,400 tons at 0.214 oz/ton au. (12.3')

VEIN No. 2 16,700 tons at 0.200 oz/ton au. (6.8')

**LONGITUDINAL
PROJECTION**
LOOKING EAST

This has been principally concentrated on the Laguerre Shaft where, in the 1975-76 period, the underground workings were dewatered and the shaft and two levels rehabilitated, and at the Knutson Zone, located about 700 feet south of the Laguerre Shaft. Surface diamond drilling was carried out on the latter zone during 1978.

Definition drilling carried out on two levels at the Laguerre Shaft and consisting of 6,580 feet in 65 holes, outlined six gold bearing zones containing an estimated 50,680 tons averaging 0.128 ounce of gold per ton. Surface drilling at the Knutson Zone, amounting to 8,614 feet in 21 holes, outlined a further 26,100 tons grading 0.205 ounce of gold per ton on two nearly adjacent veins (Veins No. 1 and 2) at a depth about 225 to 250 feet from surface. Along strike of the veins to the south, the last hole in the 1978 program, No. 20, intersected 4.5 feet at 0.27 ounce of gold per ton.

Also during 1978, a deep hole, amounting to 1,637 feet, was drilled under the Raven River Shaft workings which bottomed at 670 feet from surface. This hole intersected the gold-bearing syenite at a vertical depth of 1,200 feet and cut low values over a wide section. The best value obtained was 0.085 ounce of gold per ton across 10 feet. The Raven River Shaft is about one mile southeast of the Laguerre.

Exploration conducted during 1980 and to March 31, 1981, at a cost of \$130,224, bringing cumulative expenditures to a total of \$588,388, adequately fulfilled the requirements of the working option agreement with respect to the entire 51 claim block. If and when production is attained, the claims will be transferred to your Corporation, subject only to a 15% royalty payable to the optionor.

1980 Program

Following investigation of updated records, two areas of significance were selected for surface diamond drilling, which was implemented in early 1980. The principal target was along the projected extension of the Knutson showing some 700 feet south of the Laguerre Shaft where the 1978 drilling program outlined 26,100 tons grading 0.205 ounce of gold per ton.

The 1980 drilling, totalling 6,414 feet in 16 holes during the period from February to May, was successful in locating another comparatively small gold-bearing lens.

The second target area of the 1980 program was at Enright Point, about one mile east from the Raven River Shaft. Cross-sectional drilling from lake ice was cut short because of early break-up. The area of interest was the gold-copper values obtained in a 1938-43 drilling period, and the Ontario Department of Mines' airborne INPUT anomaly.

A major mining group is currently reviewing the records of recent and old work with a view to possibly entering into an agreement to mine certain areas at shallow depth. No agreement has been reached thus far.

The major and central portion of the Kirkland-Larder Lake Gold District depicted in the appended location map, covers an east/west length of some 30 miles containing numerous producing and former producing gold mines. It is also the focal point of major exploration attention at many properties, involving very substantial and long term expenditures by several major mining groups, notably Kerr Addison, Canico (subsidiary of Inco Ltd.), Kennco, Denison, and others, as well as the owning corporations which are conducting extensive programs at their respective holdings.

At the Queenston group of properties straddling Lebel and Gauthier Townships, Canico has been exploring a seven mile length of the Kirkland-Larder Lake Break over the past four years, and has already expended \$1.5 million to earn a 40% interest in the properties and continuing this level of investment to the required \$2.65 million total at which it gains a 65% interest. Canico is currently reported to be operating two drills in a 20,000 foot program to outline the near surface limits of two deposits to provide engineering data necessary for underground and open pit feasibility studies.

Queenston itself is doing surface work at the Upper Canada and Upper Beaver properties in Gauthier and McVittie Townships. It is estimated that the existing mill at the Upper Canada could be rehabilitated for a relatively modest \$2 million, if area activity results in production decisions.

Kennco (Kennecott Copper) has optioned the old Pelangio-Larder property south of the Kerr Addison Mine holdings; Denison entered into an agreement to purchase the properties of Sheldon Larder and Arjon for \$100,000 cash and a \$900,000 exploration commitment. This property has already been extensively explored at depth over a

period of years by Kerr Addison and then relinquished its option.

The entire area experienced what could be called a 'staking rush' in 1980 following the release of government data of airborne surveys it carried out. With its gold production history spanning more than 60 years, this area is still the object of ongoing exploration and development, which was greatly accelerated in the past four years coincident with the steady rise of gold prices.

GENERAL

Your Corporation's working capital at \$604,121 as of March 31, 1981, should be adequate for the currently projected exploration expenditures. However, on the expectation of a major undertaking at the Lawyers Property in the Toodoggone-Chapelle area of B.C., flow from the results of the 1981 program currently in progress, it will be necessary to make arrangements to further fund your Corporation in the maintaining of its 25% participating interest. Management is confident that this

can be achieved, probably through affiliate corporations.

Given the tenor of ore grade and gold values encountered in the 1980 program of the Serem Joint Venture, as indicated in the tabulation of the better intersections in this Annual Report, Management is contemplating a very substantial project in respect of the gold/silver deposit now assuming important status at the Amethyst Gold Breccia Zone, together with a number of interest targets arising from the 1980 program which prompted the staking by the Serem Joint Venture of appreciable tie-on ground.

On behalf of the Board of Directors,


President

May 29, 1981

BALANCE SHEET

AS AT DECEMBER 31, 1980

ASSETS

CURRENT ASSETS

Cash	
Accrued interest receivable	
Term deposits	
Marketable securities, at lower of cost or market (market value 1980 — \$139,587; 1979 — \$64,883)	
Prepaid expenses and deposits	

INVESTMENT IN JOINT VENTURE

Lawyers Project (Note 2)	
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FIXED ASSETS, at cost

Equipment	
Office furniture	

Less: Accumulated depreciation

Larder Lake buildings and equipment

MINING CLAIMS AND PROPERTIES, at cost (Note 3)

DEFERRED EXPLORATION EXPENDITURES

OTHER ASSETS

Shares of other mining companies, at cost, (no quoted market value)

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued charges	
Loan payable — 10%	

SHAREHOLDERS' EQUITY

CAPITAL (Note 5)

AUTHORIZED

9,000,000 Shares without par value

ISSUED

7,586,250 Shares (1979 — 6,586,250)

DEFICIT

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF SUDBURY CONTACT MINES, LIMITED

1980	1979
\$ 885	\$ —
4,247	121
680,000	—
15,457	15,457
1,000	800
701,589	16,378
318,295	—
21,268	21,268
1,753	1,753
23,021	23,021
18,086	18,086
4,935	4,935
44,916	44,916
49,851	49,851
20,300	20,300
726,767	596,095
9,602	9,602
\$ 1,826,404	\$ 692,226

We have examined the balance sheet of Sudbury Contact Mines, Limited as at December 31, 1980 and the statements of administrative expenses, income and deficit, deferred exploration expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Toronto, Ontario
March 15, 1981

\$ 45,084	\$ 4,738
—	1,500
45,084	6,238

Approved on behalf of the Board:

Paul Penna

Paul Penna, Director

John R. Murray

John R. Murray, Director

3,693,500	2,573,500
(1,912,180)	(1,887,512)
1,781,320	685,988
\$ 1,826,404	\$ 692,226

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF ADMINISTRATIVE EXPENSES, INCOME AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
INCOME		
Interest income	\$ 69,534	\$ —
Dividend income	778	—
	<u>70,312</u>	<u>—</u>
EXPENSES		
Administration and office services	\$ 12,000	\$ 9,600
Legal and audit	18,110	7,310
Bank charges and interest	2,097	13,365
Shareholders' information	12,771	7,613
Miscellaneous	8,922	11,602
Transfer agent fees	14,806	2,898
Directors' fees	1,300	1,500
Licences, taxes and fees	234	1,200
Consulting	24,740	—
	<u>94,980</u>	<u>55,088</u>
Less: Gain on sale of marketable securities	—	(377,465)
	<u>94,980</u>	<u>322,377</u>
INCOME (LOSS) BEFORE INCOME TAXES	(24,668)	322,377
Income taxes	—	56,068
INCOME (LOSS) BEFORE EXTRAORDINARY ITEM	(24,668)	266,309
Utilization of prior year's unrecorded deferred tax benefit	—	56,068
NET INCOME (LOSS) FOR THE YEAR	(24,668)	322,377
DEFICIT, beginning of year	(1,887,512)	(2,209,889)
DEFICIT, end of year	<u>\$ (1,912,180)</u>	<u>\$ (1,887,512)</u>

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
SOURCE OF FUNDS		
Issuance of capital stock	\$ 1,120,000	\$ —
Gain on sale of marketable securities	—	377,465
Interest and dividend income	29,312	—
	1,190,312	377,465
APPLICATION OF FUNDS		
Investment in Lawyers Project	318,295	—
Administrative expenses	94,980	55,088
Exploration expenditures	130,672	6,921
	543,947	62,009
INCREASE IN WORKING CAPITAL	646,365	315,456
WORKING CAPITAL (DEFICIENCY), beginning of year	10,140	(305,316)
WORKING CAPITAL, end of year	\$ 656,505	\$ 10,140

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
EXPENDITURES DURING YEAR		
Larder Lake Mining Division, Ontario		
Diamond drilling	\$ 78,797	\$ —
Consulting fees	49,700	5,671
General field expenses	1,590	777
Mine office	137	—
	<u>130,224</u>	<u>6,448</u>
Other Properties		
Licences, fees and taxes	448	473
EXPLORATION EXPENDITURES FOR THE YEAR	130,672	6,921
DEFERRED EXPLORATION EXPENDITURES — beginning of year	596,095	589,174
DEFERRED EXPLORATION EXPENDITURES — end of year	<u>\$ 726,767</u>	<u>\$ 596,095</u>

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1980

	1980	1979
Larder Lake Mining Division, Ontario (Note 3)	\$ 556,441	\$ 426,217
Montgomery Township, Ontario	169,484	169,107
Thunder Bay Area, Ontario	842	771
	<u>\$ 726,767</u>	<u>\$ 596,095</u>

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 1980

1. ACCOUNTING POLICY

The Company follows the policy of deferring exploration expenditures until such time as the properties commence production. Properties determined to be without value are written off to deficit with related deferred exploration thereon. The amounts shown for deferred exploration expenditures represent costs to date less amounts written off and are not intended to reflect present or future values.

2. INVESTMENT IN JOINT VENTURE

The Company owns a 25% interest in a joint venture to perform a program of prospecting, exploration, development and other mining work in or on the Lawyers Property, British Columbia. All expenses are to be shared according to the respective interests in the joint venture. At December 31, 1980 the Company had advanced \$318,295 to finance expenditures.

3. MINING CLAIMS AND PROPERTIES

The Company owns a working option on 51 claims in the Larder Lake Mining Division, Ontario to July 17, 1983. If production is reached, the claims will be transferred to the Company subject to a 15% royalty payable to the optionor.

4. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers for the year ended December 31, 1980 amounted to \$1,300 (1979 — \$1,500).

5. CAPITAL STOCK

During the year the Company issued through a private placement 1,000,000 common shares for a total consideration of \$1,120,000.

SUDBURY CONTACT MINES, LIMITED

INTERIM STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

(Prepared Without Audit)

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1981

	1981	1980
EXPENDITURES DURING YEAR		
Larder Lake Mining Division, Ontario		
Diamond drilling	\$ —	\$ 14,286
Consulting fees	31,947	4,356
General field expenses	—	441
	31,947	19,083
Other Properties		
Licences, fees and taxes	446	444
EXPLORATION EXPENDITURES FOR THE PERIOD	32,393	19,527
DEFERRED EXPLORATION EXPENDITURES — beginning of period	726,767	596,095
DEFERRED EXPLORATION EXPENDITURES — end of period	\$ 759,160	\$ 615,622

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES

AS AT MARCH 31, 1981

	1981	1980
Larder Lake Mining Division, Ontario	\$ 588,388	\$ 445,300
Montgomery Township, Ontario	169,860	169,482
Thunder Bay Area, Ontario	912	840
	\$ 759,160	\$ 615,622

SUDBURY CONTACT MINES, LIMITED

INTERIM STATEMENT OF INCOME AND DEFICIT (Prepared Without Audit) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1981

	1981	1980
EXPENSES		
Administration and office services	\$ 5,117	\$ 3,000
Legal and audit	5,220	5,132
Bank charges and interest	89	791
Miscellaneous	7,169	5,157
Transfer agent fees	3,674	2,240
Directors' fees	—	300
Licences, taxes and fees	4,017	1,800
	25,286	18,420
Less: Interest income	26,950	—
	(1,664)	18,420
NET INCOME (LOSS) FOR THE PERIOD	1,664	(18,420)
DEFICIT, beginning of period	(1,912,180)	(1,887,512)
DEFICIT, end of period	\$(1,910,516)	\$(1,905,932)

INTERIM STATEMENT OF CHANGES IN FINANCIAL POSITION (Prepared Without Audit) FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1981

	1981	1980
SOURCE OF FUNDS		
Net income for the period	\$ 1,664	\$ —
APPLICATION OF FUNDS		
Net loss for the period	—	18,420
Investment in Lawyers Project	21,655	77,138
Exploration expenditures	32,393	19,527
	54,048	115,085
DECREASE IN WORKING CAPITAL	(52,384)	(115,085)
WORKING CAPITAL, beginning of period	656,505	10,140
WORKING CAPITAL (DEFICIENCY), end of period	\$ 604,121	\$ (104,945)

